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UNITED STATES DEPARTMENT OF AGRICULTURE
Production and Marketing Administration
State College, New Mexico

NEW MEXICO

WEEKLY FARM PROGRAM NEWS

MAR 10 1949

No. 310
9-3-48

PRICES AND PRICE SUPPORT - Numerous statements implying that Government price supports for farm products are responsible for higher consumer prices has prompted C. V. Hemphill, Chairman of the New Mexico Production and Marketing Administration Committee, to point out a few facts which seem to have been overlooked:

(1) Present laws assure farmers a price support for several of the major crops which is equal to 90 percent of "parity." "Parity" in everyday language means a fair price to farmers for the crops they sell in relation to the cost of things they buy. "90 percent of parity" is 10 percent below this fair price level and becomes to some extent a cost of production insurance.

(2) Many of the major farm products have no price support. Among these are cattle and sheep. Beef and lambs are selling in the open market at prices well above parity. Although support prices for hogs have been provided for, the support program has not been put into effect because prices to producers have been well above the support level.

(3) Prices for several farm products -- potatoes in particular -- are actively supported. But potatoes are still among the "best buys" in the grocery store today, despite the wide spread between the support price and what the consumer pays.

In answer to the question, "Why Support Farm Prices?" Mr. Hemphill pointed out that the welfare of the Nation depends upon having enough food. But weather, insects, disease, and other crop hazards make it impossible to produce just enough and not more than the market will absorb at a fair price to the farmers. In producing abundantly, the farmer thus could be made to suffer for his successful efforts. Under the guarantee of a price support, however, the farmer knows he can go ahead and produce abundantly without "falling into the trap of price collapse

set by his own abundant production." Since price support programs have been in operation, food production has been increased around 40 percent.

Looking at it this way, Mr. Hemphill said, consumers benefit greatly from price supports. Abundant production means plenty of food and lower prices than if farm output were scarce. Compare potatoes for which prices are supported, with beef for which prices are not supported but which is slightly on the scarce side, the Chairman said. Then compare the prices that consumers pay for food with what the farmer gets.

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MORE FARM STORAGE NEEDED - It will be up to farmers to provide the extra storage needed to take care of the record breaking grain crop this year, says _____, chairman of the _____ County Agricultural Conservation Committee. Expecting country elevators and terminals to take care of the extra bushels may be disappointing, as storage at these points is not being increased.

Farmers of _____ County should take immediate steps to provide additional grain storage on the farm, Mr. _____ said. Construction materials should be ordered at once, as many of the needed materials are scarce. Dealers should know what is needed so that orders can be placed. Delay may mean delivery too late to do any good.

Effectiveness of government price support programs depends on adequate storage for the grain. Plans for the construction of additional storage, including woven-wire and roofing paper grain bins and snow-fence cribs, are available at State PMA and most county ACP offices.

The Production and Marketing Administration is taking all possible steps to see that materials are available for constructing additional storage. Farmers need the price protection, which is possible only with adequate storage. The grain is

needed both as food for an increasing national and world population, and as feed to expand the production of livestock as a means of making more meat available.

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REAL ACCOMPLISHMENTS UNDER ACP - Although accomplishments under the Agricultural Conservation Program are usually given in tons of lime and phosphate spread, number of dams built and rods of terraces constructed, the real measure of accomplishment is in what these practices do to conserve soil and water.

_____, Chairman of the _____ County Agricultural Conservation Committee, points out that the construction of a single terrace may protect from erosion hundreds of acres of land back of the terrace. Uncontrolled, erosion "eats" back into the land and spreads like cancer. A stock-water dam and the water back of it may occupy less than a quarter of an acre but the benefits in getting better distribution of livestock on the range may affect 1,000 acres.

Conservation practices support each other, too. The terrace may not be effective until there is a grassed waterway. Both may be made more effective by contour farming. Trees and grass may be needed on the steeper hillsides to further protect and make effective the contour farming, terrace and grassed waterway and other practices on the land below.

The application of phosphate increases the growth of clover and grass, making these plants more effective in holding soil and water. The improved cover on one part of the farm may protect the whole farm and may be the means of saving soil on other farms.

Where wind erosion is severe, cover strips are used to protect fallow land or land where a crop has been planted but is not up high enough to provide its own protection.

In almost every instance, the Chairman points out, the real conservation accomplishment is far more significant than the cold figures that are usually considered.

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WEEKLY FARM PROGRAM NEWS

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U.S. DEPT. OF AGRICULTURE

PRICE SUPPORTS AND CONSERVATION - Consumers as well as farmers benefit from the price support and soil and water conservation programs administered by farmer-elected committeemen in every agricultural county in the United States.

William B. Crawley, Assistant Administrator for Production and Acting Director of the Agricultural Conservation Programs Branch of the Production and Marketing Administration, backed up this assertion by showing how both consumer and farmer gain from these programs. Speaking to farmers, farm leaders and committeemen from Missouri, Kansas, Nebraska, Iowa, South Dakota, and Minnesota in a conference at St. Paul, Minnesota, August 31, he said there is a mistaken idea that price supports are responsible for high prices.

He pointed out that parity -- the base for determining price supports -- is tied to the prices of things the farmers as well as other consumers have to buy. When the prices of these things go up the parity level goes up with them but not ahead of them. Price supports for most supported commodities is 90 percent of parity, which is 10 percent below an even break. A number of commodities produced on the farm are not supported. Beef is one. Lamb is another. Then the prices of many commodities are above support levels and therefore are not affected. The commodities supported are among the better buys at the grocery store. He called attention also to the spread between what the farmer gets and what the consumer has to pay and said that in many instances if the farmer got nothing the consumer still would have to pay a fairly high price.

On the other hand, with farmers protected from price collapse they have not been afraid to produce abundantly. Consumers have gained from this abundance. Abundant production has prevented prices of farm products from going even higher.

Consumers have gained through the Agricultural Conservation Program which has been in operation for the past 12 years in that the conservation practices carried out by farmers cooperating in the program have helped to make possible the large harvest this year and for the past several years. The conservation practices which farmers are carrying out on farms which comprise two-thirds of the Nation's farmland are the greatest assurance consumers can have that we can continue to fill the grocery shelves, he said.

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MOST PRICE SUPPORTS BELOW MARKET PRICE - For most of the important farm commodities for which Government price-support programs are available, the level of support is below the market price. Here is a comparison for 1948 crops of national averages of price-support levels, parity prices, and prices received by farmers as of August 15, 1948:

<u>1948 Commodity</u>	<u>Parity 8-15-48</u>	<u>Price Support Nat. average</u>	<u>Price received by farmers 8-15-48</u>
Cattle, beef (per cwt.)	\$13.60	No support	\$24.40
Sheep (per cwt.)	-----	No support	10.20
Lambs (per/cwt.)	15.80	No support	24.80
Hogs (per cwt.)	18.20	16.84	27.10
Wool (per lb., shorn wool grease basis)	.459	.423	.471
Eggs (per doz.-operative in Midwest)	.54	.35	.492
Dry edible beans (per cwt.)	8.46	5.00	10.50
Dry edible peas (per cwt.)	-----	4.80	4.92
Rice (per bu.)	2.04	1.84	2.56
Cotton (per lb.)	.3112	.2879	.3041
Soybeans (per bu.)	2.41	90% of 8-15 parity	2.91
Rye (per bu.)	1.81	1.29	1.46
Corn (per bu.)	1.61	90% of 9-15 parity	1.91
Wheat (per bu.)	2.22	2.00	1.96
Oats (per bu.)	1.00	.70	.688
Barley (per bu.)	1.55	1.15	1.14
Grain sorghums (per cwt.)	3.04	2.31	2.07
Flaxseed (per bu.) at Minneapolis	4.24	6.00	5.75
Potatoes, late (per cwt.)	1.86	1.25-1.75	1.58

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FARM STORAGE —GOOD BUSINESS — Providing enough farm storage to take care of the grain crop is good business -- both for the farmer and for the country -- says Mr. C.V. Hemphill, chairman of the New Mexico Production and Marketing Administration committee. For the farmer it means stabilizing his market by not having to "dump" his crop on the market at harvest time and it means price support provision become effective. For the country it means the saving of food and feed and grain in good position and not concentrated in a few central places. This is particularly good in the case of feed grains. They don't have to be shipped into a central elevator and then shipped back again.

But this year with the record-breaking crop of grain in prospect it is essential that farmers have enough storage to take care of the crop. Every effort should be made to store as much of the crop on the farm as possible to avoid congestion and waste at country and terminal elevators.

Mr. Hemphill said that every farmer who has grain to store should know that price supports depend on getting the grain in to suitable storage. Loans cannot be made unless the grain is protected by adequate storage. Purchase agreements also depend for their effectiveness on proper storage because the Commodity Credit Corporation will accept only good grain at price support levels. And since deliveries to CCC cannot be made until next spring that means the grain must be in good storage.

Then by having the grain stored on the farm it can be sent to market in an orderly manner and without loss. When grain is farm-stored, there is not the pressure of market gluts to force prices down to very low levels. Facilities for handling can be used more economically. It makes for more orderly marketing all along the line, said the State Chairman.

Farmers who are having difficulty in obtaining materials for storage includi

the inexpensive "snow fence" or woven wire type should get in touch with the County Agricultural Conservation Office or a member of the county committee. FMA is doing everything possible to see that materials are made available to farm communities.

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HOME ELEVATORS SAVE TIME, LABOR - Portable home-made grain elevators that will save time and labor are being made by many farmers who are on power lines. These elevators can be operated by fractional horsepower motors or small engines. They are reported to cost about \$1 per lineal foot, as compared with \$1.85 per lineal foot for ready-made equipment...when the ready-made equipment is available. Plans for these elevators can be obtained through most rural electric cooperatives.

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Production and Marketing Administration
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MARKET PRICES ARE ABOVE FARM SUPPORT LEVELS - If the housewife were paying prices for food at the Government price-support level instead of the current market prices, the cost of living would be considerably lower, C.V. Hemphill, Chairman of the State Production and Marketing Administration Committee, said today.

Commenting on the charge that farm price-supports are causing high food prices, Mr. Hemphill said that many consumers lose sight of the fact that the program is not designed to keep prices "high," but rather to balance the farmer's income with his cost of operations and living. The price-support level therefore rises or falls according to the relationship between the two.

"Prices for food and other things figured in the cost of living have been steadily rising since 1946," Mr. Hemphill points out, "and prices of farm products generally have been above the support level since 1942. Price-support operations are directed by law and have been in effect for only a few products such as potatoes and eggs.

"We also have a situation now where prices of corn and wheat are down to the support level and yet prices are still high for some meat animals, such as beef cattle, which have no price-support programs.

"For most of the important farm commodities under the support program, prices can be supported only at 90 percent of parity. If cattle were selling at full parity, the price would be 14 cents a pound, yet the market price to farmers today is around 24 cents a pound. Hogs at the 90-percent-of-parity figure would be selling at 17 cents a pound, whereas the market price is 27 cents a pound."

Recommendations for a more flexible program which would provide even lower supports have been made by the Department of Agriculture from time to time, Mr. Hemphill said, and legislation enacted this summer provides such a program in the future. For some commodities, this more flexible plan will become effective in 1949, and for others in 1950.

DRY BEAN PRICE SUPPORTS ANNOUNCED - Price supports for the 1948 crop of dry edible beans will range from \$7.70 to \$9.95 per 100 pounds by specified classes, according to a recent announcement by the Department of Agriculture. These prices apply to deliveries under the Government loan and purchase agreement programs.

As required by law, the supports are based on 90 percent of parity, and reflect the increased cost in the prices which the farmer has to pay in production and living costs. Support prices for the 1947 crop of beans ranged from \$7.25 to \$9.45 per 100 pounds.

In (Name) County, the applicable support price, net weight, for U. S. No. 1 (Class) beans, cleaned and bagged, f.o.b. country shipping points, is \$ per 100 pounds. Supports for U. S. Choice Handpicked and U. S. Extra No. 1 are 10 cents more than the support for U. S. No. 1. The support for U. S. No. 2 beans is 15 cents less.

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RUSSIAN GRAIN IN WORLD TRADE - United States farmers, faced with storage and marketing problems in connection with this year's abundant grain crops, have a real interest in world grain trade and the part that the various grain-producing countries play in supplying the world market. A recent article in the May issue of "Foreign Agriculture" by Lazar Volin, Regional Specialist in the Department of Agriculture's Office of Foreign Agricultural Relations, gives a historical review of "Russian Grain on the International Scene."

Grain exports, Mr. Volin says, were the principal international economic asset of Russia during the late 19th and the early 20th centuries. Actually, even in 1909-13, when Russia was the foremost exporter of grains in the world, her shipments constituted only about 30 percent of world exports; during the decade before the First World War, exports varied between 6 and 14.4 million tons.

With the First World War and the following revolution, Russian grain exports stopped and did not appear again on the world market until the middle 1920's. But, with the increased population and the changing of all Russian foreign trade into a Soviet state monopoly, grain shipments were much smaller and practically vanished in years of poor crops. Only in 1930-31, and 1931-32, when the Soviet Government pushed exports to finance the imports required by the ambitious industrialization program of the first Five-Year Plan, did grain shipments reach as much as 4 or 5 million tons. During 1934-38, Russian grain shipments accounted for less than 5 percent of world exports.

Mr. Volin's article states further:

"A year after the end of the war with Germany, Russia returned to the international grain scene by agreeing, on April 6, 1946, to sell to France 400,000 tons of wheat and 100,000 tons of barley...the Soviets were reported to have been well paid in American dollars, and much of the Russian grain was hauled in American ships. Soviet export operations in 1946 did not go beyond shipments to France and smaller exports to Finland, because the grain and food situation was extremely strained as a result of a poor harvest in the U.S.S.R."

With a better harvest in 1947, the Kremlin was able to develop a significant export program. Grain production was still only about four-fifths of the prewar outturn. However, a rigorous grain-procurement campaign collected not only the annual tax in kind (levied on each 2.5 acres of arable land) and the payments in kind for services of the state machine-tractor stations (supplying tractors and implements to the collective farms), but it also collected the arrears for the previous year and in many cases secured advance payments for the machine-tractor stations due from the next harvest. Domestic consumption was kept down through continuing rationing until mid-December 1947 and through devaluing the currency, which reduced the purchasing power in the hands of the population.

U.S.S.R. export commitments through March 1948 amounted to more than 3.4 million long tons of grain, of which over 1.9 million were wheat and rye. While additional commitments may have been made since then, the actual movement of grain, Mr. Volin stated, is not likely to be large. Export commitments have been made by the Soviet Union in the case of each country, separately, as a result of bilateral agreements.

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F A R M B R I E F S

There are 3,030 County Agricultural Conservation Committees and 30,701 Community Committees in the United States.

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Out of over 3,200,000 payees in the 1946 Agricultural Conservation Program, nearly 685,000 received less than \$20 and more than 2,400,000, or 3/4 received less than \$100.

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WEEKLY FARM PROGRAM NEWS

SUPPLY AND DEMAND - Current high prices on some foods are due chiefly to abnormal-ly high demand. Consumers are demanding increased quantities of the more ex-pensive foods. Average per capita consumption of the cheaper foods--potatoes, sugar, and wheat--is 5 to 7 percent under the prewar average, while per capita consumption of the more expensive items such as meat, poultry products, and milk and cream is 15 to 27 percent above the prewar level. The increase in food marketing charges accounts for as much of the rise in food costs at retail as does the rise in farm prices since June, 1946.

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LOOK BEFORE YOU LEAP - Due to the tremendous production and lack of storage space, the market price of many crops at harvest time may fall below the support level according to C. V. Hemphill, Chairman of the State PMA Committee. "This is especially true in regard to pinto beans, grain sorghums, and cotton" Mr. Hemphill stated. "All farmers producing these crops should contact their County ACA Committee immediately and learn all about the price support program", he continued.

"Farm storage and orderly marketing are essential to prevent waste of food, feed and fiber", Mr. Hemphill concluded.

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COTTON LOOKS UP - A cotton crop of 15,219,000 bales is forecast for this year by the Bureau of Agricultural Economics. Production in 1947 was 11,857,000 bales, and the 10-year average is 12,014,000 bales.

With a smaller-than-average abandonment of cotton in cultivation, 23,323,000 acres are expected to be left for harvest, around 2 million acres more than

harvested in 1947. Lint yield per acre is computed at 313.2 pounds, an all-time high and 14.3 pounds above the previous record made in 1944; it compares with the 10-year average of 254.2 pounds.

The Bureau of the Census reports 1,473,245 bales ginned from the 1948 crop before the first of September, compared with 682,109 bales during the same period for 1947.

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GRAIN STORAGE MORE SERIOUS - The grain storage problem has grown 50 million bushels more serious in the last month, according to the September 1 crop report of the U.S. Department of Agriculture. That report says that we may expect to have 22 million more bushels of corn to store than were expected on August 1; nearly 23 million bushels of oats; over 4 million of barley; about 875 thousand of grain sorghums and 72 thousand of wheat.

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A DOLLAR FOR CONSERVATION - How much soil and water conservation can we expect for a dollar? About \$3 worth, says _____, Chairman of the _____ County Agricultural Conservation Committee.

He also explains that if the total bill for conservation carried out under the 1948 Agricultural Conservation Program were evenly divided among all the people in the United States, it would come to just about one dollar per person.

This dollar per person is matched by another dollar which the farmer pays. Add to this the cost of the work which the farmer does, the additional conservation practices which he carries out on his own and for which he uses his own time and money and the total is at least three dollars worth of conservation for each dollar of assistance. In practice, the chairman points out, the assistance under the ACP Program serves as a leaven which stimulates a wide range of conservation activity.

As the chairman explains, "By putting up a dollar per person, the Nation helps to build terraces that check the run-off in heavy rains and in the spring when the snow is melting. More of the moisture goes into the ground to grow crops and feed springs during the summer. Valuable top-soil is held on the farm to continue to produce food for the Nation.

"The dollar helps to build dams that check erosion and furnish water for livestock. The additional watering places make it possible to get better distribution on the range so that the grass is not all eaten up or trampled to pieces around a few watering places. This protection to watersheds helps to keep soil from washing and blowing away."

These are just a few examples of how "the dollar per person" is being used to protect the soil -- the source of the Nation's food supply. As the chairman states, "It is food insurance -- for both the present and the future. The Dollar helps to buy present and future food security."

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GOALS CALL FOR MORE HENS, PULLETS - To assure an abundance of eggs to meet high market demand, which is partially due to high meat prices, farmers should carry into next year the largest number of hens and pullets consistent with good poultry-management practices.

This is the recommendation of the Department of Agriculture in calling for a national production goal of 425 million hens and pullets on farms on January 1, 1949. It would mean keeping on farms a larger proportion of the summer flocks than in recent years, and would supply at least as many eggs per person as this year.

In both 1947 and 1948, U.S. consumers averaged 380 eggs apiece, compared with their prewar average of 298.

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